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September 6, 2002

PAGE ONE

## For Hispanic Radio, a Feud Boils Over in Market on Fire

By EDUARDO PORTER and ANNA WILDE MATHEWS  
Staff Reporters of THE WALL STREET JOURNAL

This spring, the two top Spanish-language radio companies in the U.S. were talking about a merger that would produce a Hispanic broadcasting giant and end one of the industry's nastiest feuds.

Despite their history of bickering, **Spanish Broadcasting System Inc.** and **Hispanic Broadcasting Corp.** seemed to have buried the hatchet. Merging would "create immediate value," wrote SBS chief Raul Alarcon Jr. to his counterpart at HBC, McHenry Tichenor Jr. Such a deal would have "strategic merit," agreed Mr. Tichenor, who on May 31 invited his rival to talk with HBC's board.

But on the morning of June 12, HBC surprised Mr. Alarcon by announcing that it had agreed to be acquired by **Univision Communications Inc.**, the Spanish-language media powerhouse. SBS struck back hours later. It filed an antitrust suit in U.S. District Court in Miami, charging HBC and its biggest shareholder, **Clear Channel Communications Inc.**, with using their combined clout to illegally stifle SBS. HBC and Clear Channel have filed motions to dismiss the suit. Meanwhile, Univision's proposed acquisition of HBC, an all-stock offer, may hang in the balance. Univision's share price took a bad hit when SBS filed its suit and subsequently sagged along with the market.



Raul Alarcon Jr.

The long-running brawl between SBS and HBC has involved lawsuits, poaching of employees, satirical skits and outright insults. But with the surging U.S. Hispanic population and the boom in Spanish-language media, what had been a noisy sideshow has moved to the industry's center ring. At a time when growth in the radio audience generally is stagnant, media giants are circling the two leaders of this lucrative, fast-growing market. Of the 369 radio stations started between 1998 and 2001, 141, or 38%, were in Spanish. It's a testimony to the market's attractiveness that the rivalry between HBC and SBS, which already has affected a proposed merger and an acquisition, hasn't turned off suitors.

### BAD BLOOD

- Spanish Broadcasting Files Suit to Block Univision Acquisition<sup>3</sup>  
06/13/02
- Univision Agrees to Acquire Spanish-Language Radio Group<sup>4</sup>  
06/12/02

### COMPANIES

Dow Jones, Reuters

Spanish Broadcasting System Inc.  
CI A (SBSA)

|              |       |
|--------------|-------|
| PRICE        | 6.49  |
| CHANGE       | -0.21 |
| U.S. dollars | 9/5   |

Hispanic Broadcasting Corp. (HSP)

|              |       |
|--------------|-------|
| PRICE        | 18.40 |
| CHANGE       | -0.42 |
| U.S. dollars | 9/5   |

<sup>1</sup> At Market Close

There's no doubt about the interest of big players. Univision owns the fifth-largest TV network in the country and Clear Channel is the biggest U.S. radio company, with about 1,200 stations. According to people familiar with the matter, SBS's bid to merge with HBC was backed financially by **General Electric Co.'s NBC**, which owns the No. 2 Spanish-language TV network, Telemundo.

Univision says it remains eager to make the deal, but its shares have declined 40% since June 11, closing Thursday at \$22.45, down 11 cents, in 4 p.m. composite trading on the New York Stock Exchange. The drop has cut the value of its all-stock offer for HBC to about \$2.1 billion from \$3.5 billion.

In a statement, HBC said that its board decided to merge with Univision rather than with SBS "for a number of reasons, including the attractiveness of the radio-and-television combination that wasn't available under the SBS combination." SBS said its lawsuit involved "longstanding grievances" with HBC. While the company had been trying to resolve them amicably through a merger, it said that HBC's deal with Univision "made it clear that that would not be possible."

#### **Bosses' Rivalry**



***McHenry Tichenor Jr.***

The friction between SBS and HBC owes a lot to the rivalry of two bosses with deep roots in the medium and a burgeoning market to conquer. Mr. Tichenor, 47, chairman and chief executive of HBC, comes from a Texas family that has been involved in radio for three generations and that controls 11.9% of HBC stock. He declined to be interviewed for this story.

SBS's chairman and CEO, Mr. Alarcon, was born in Camaguey, Cuba, and fled the island as a teenager. His father, who had owned radio stations in Cuba, launched Spanish Broadcasting in 1983 with a single New York AM station. The Alarcons went on to build the current company station by station, grabbing the top Spanish-language ratings in markets such as New York and Chicago. SBS is based in Coconut Grove, a Miami suburb.

Mr. Alarcon exercises tight control over his company. At the end of 2001 he owned stock that gave him 83.2% of the voting power. And he is a hands-on boss who gets involved in programming decisions. SBS stations are known for not playing music by Cuban artists considered sympathetic to Fidel Castro, whom Mr. Alarcon detests, according to people familiar with the company's programming. In a statement, SBS said, "We do not as a matter of policy ban any artist from SBS stations."

In business terms, HBC is bigger, with 55 stations and \$241 million in revenue last year, compared with SBS's 24 stations and \$134 million in revenue for the year ended Sept. 30, 2001. Spanish-language stations, which account for 7% of radio listening nationwide, according to ratings company Arbitron Inc., make up 600 of the country's 13,209 radio stations. HBC and SBS together account for more than half of the total revenue of the Spanish-language radio market, which was estimated at \$700 million in 2001, according to Lehman Brothers. HBC shares closed Thursday at \$18.40, down 42 cents, in Big Board trading; SBS closed at \$6.49, down 21 cents, on the Nasdaq Stock Market.

#### **Bad Blood**

The bad blood between the two Spanish-language radio leaders dates from 1997. That's when

HBC was formed by the combination of two smaller outfits, Heftel Broadcasting Corp. and Tichenor Media Systems. The deal was engineered by Clear Channel, majority owner of Heftel. Clear Channel had also hoped to bag Spanish Broadcasting, but Mr. Alarcon thought the price was too low.

The tension between the companies has been marked by poaching sprees on each other's staff. SBS got its top two programming executives, William Tanner and Pio Ferro, from HBC two years ago. HBC currently pays a consultant, Julio Rumbaut, who previously worked for SBS but lately has battled the company in state court in Miami. Mr. Rumbaut sued Mr. Alarcon over compensation issues, and the judge ruled in his favor. In another, pending suit, Mr. Rumbaut was accused by Mr. Alarcon's company of spying for HBC, a charge Mr. Rumbaut denies.

HBC and SBS have frequently battled in court in Miami over the alleged poaching of popular morning-show talent. In a lawsuit filed two years ago in US District Court in Miami, SBS sued HBC and a former morning-show personality, Luis Vega, after Mr. Vega defected to HBC. Mr. Vega used his goofy SBS character Juan Leche -- a k a "John Sperm" -- to poke fun at SBS and Mr. Alarcon on the air. Mr. Vega returned to SBS's Miami station in October 2000; he says HBC didn't deliver what it had promised him. The case was dismissed last September.

SBS also went to the state court in Miami to block HBC's hiring of the Fonomemecos, a team of morning-radio jokesters whose exploits include on-air prank phone calls to people in Cuba. The case is pending.

HBC in turn went to the same court in a suit against SBS last year after Mr. Alarcon's company grabbed one of its top Miami salesmen and allegedly pursued its advertisers. That case also is pending.

The biggest battleground is Los Angeles, the country's largest Spanish-language radio market. The fight there dates back to when Clear Channel swooped in to buy a local FM station, KSCA, and subsequently transferred it to brand-new Hispanic Broadcasting. SBS claimed in the antitrust case that the station was snatched from under its nose just as it was "painstakingly" preparing a purchase offer.

The new station quickly paid dividends for HBC. Playing Mariachi and other polka-tinged Mexican music, KSCA jumped from No. 29 in the market at the end of 1996 to No. 2 by the following summer. That placed it right behind HBC's No. 1 KLVE, which plays romantic Spanish-language ballads. At the same time, Spanish Broadcasting's lone FM station in Los Angeles, KLAX, dropped to No. 16 from No. 5.

SBS's Mr. Alarcon was willing to pay top dollar for a second FM station in the market to rival Hispanic Broadcasting's pair. Two years ago, he agreed to buy KFSG from the International Church of the Foursquare Gospel for \$250 million, one of the highest prices ever for a single U.S. radio station.

In the spring of 2001, SBS launched its new station, renamed KXOL, with a mix of music that seems to blend the formats of HBC's two market-leading stations. SBS reprogrammed its other station, KLAX, to focus on the northern Mexican styles of Banda and Nortena.

SBS used other tactics to lure HBC's listeners. Hispanic Broadcasting's KSCA, for example, had been using the slogan *Pura Raza*, or "pure race," to emphasize its Hispanic roots. Spanish

Broadcasting's KLAX dubbed itself *La Raza*. SBS also ran promos mocking KSCA's hugely popular morning host, El Cucuy de la Manana, or "the Morning Boogeyman." In the ads, an imitation Boogeyman is given electric shocks until he "admits" that his station is run by oafs. In another version of the promotion, KSCA's then-program director, Maria Elena Nava, is tortured until she blows up.

"These are punches below the belt," says Ms. Nava, now the program director at HBC's KLVE.

### **Fighting Back**

HBC fought back with its deep resources. It boosted spending on TV commercials and outdoor advertising, and promoted concerts with top artists. "I think we've defended the hill pretty well," says Ken Christensen, vice president and general manager for HBC in Los Angeles.

SBS has managed to make a dent in its rival's ratings. Last spring, KXOL reached 13th place among all Los Angeles stations. Since Mr. Tanner was swiped from HBC two years ago, KLAX's ratings have jumped nearly 30%, while the ratings at HBC'S KSCA and KLVE have fallen by about 20% and 25%, respectively.

Those declines have cost HBC revenue. In a recent call with analysts, HBC said that "due to increased competition," second-quarter revenue in Los Angeles declined "in the low teens" percentage-wise from the same period of 2001.

Yet even as his company gains ground in Los Angeles, Mr. Alarcon may be facing a losing battle nationwide. If the Univision deal goes through, Spanish Broadcasting's survival could be at stake. It would be up against a powerful combination that boasts HBC's marketing muscle under the same roof as Univision's record labels, which control 35% of the Latin music market in the U.S.

SBS has fought the deal with the antitrust suit, which comprises a wide range of complaints against HBC and Clear Channel. Chief among them are allegations that Clear Channel has violated an FCC rule against the big company's playing an active management role in HBC, and that both firms have intervened to hurt SBS's position on Wall Street.

SBS says that HBC and Clear Channel worked to thwart its initial public offering in late 1999. The lawsuit claims that as SBS was preparing its IPO, Clear Channel's chief financial officer, Randall Mays, told Spanish Broadcasting's lead bank, Lehman Brothers, that Mr. Alarcon used or trafficked in drugs. Through a spokesman, Mr. Alarcon declined to comment. It also charges that Clear Channel and HBC worked to stop analysts from covering SBS's stock.

Clear Channel's lawyer, Steve Susman, stresses that the companies are separately managed. He notes, concerning FCC regulations, that "the rules do not include a general prohibition on the companies helping each other out if each decides that is in its best interests." Mr. Susman denies that Clear Channel pressured analysts. But he concedes that Mr. Mays "probably called" a Lehman Brothers banker, Elizabeth Satin, to tell her about rumors of drug ties. He "told her to do her due diligence so she wouldn't be embarrassed if it turned out to be true," says Mr. Susman. Lehman declined to comment.

In the motions Clear Channel and HBC filed last week to dismiss the SBS antitrust suit, Clear Channel argues that SBS has failed to bring any legitimate antitrust complaints. HBC's lawyer, Irvin Terrell, calls the suit "a hodgepodge of allegations that resembles a kitchen sink at a busy

restaurant."

If the Univision deal falls apart, SBS -- with the backing of NBC -- may later give an HBC merger another try, according to people familiar with their thinking.

**Write to** Eduardo Porter at [eduardo.porter@wsj.com](mailto:eduardo.porter@wsj.com)<sup>1</sup> and Anna Wilde Mathews at [anna.mathews@wsj.com](mailto:anna.mathews@wsj.com)<sup>2</sup>

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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**SCHEDULE 14D-1**

Tender Offer Statement Pursuant to Section 14(d)(1)  
of the Securities Exchange Act of 1934  
(Amendment No. 2)

**AND**

**SCHEDULE 13D**  
(Amendment No. 3)

**Under the Securities Exchange Act of 1934**

**HEFTEL BROADCASTING CORPORATION**  
(Name of Subject Company)

**CLEAR CHANNEL RADIO, INC.**  
**CLEAR CHANNEL COMMUNICATIONS, INC.**  
(Bidders)

---

**CLASS A COMMON STOCK, PAR VALUE \$.001 PER SHARE**  
(Title of Class of Securities)

422799106  
(CUSIP Number of Class of Securities)

---

**L. LOWRY MAYS**  
**CLEAR CHANNEL COMMUNICATIONS, INC.**  
**200 CONCORD PLAZA, SUITE 600**  
**SAN ANTONIO, TEXAS 78216**  
(210) 822-2828

(Name, Address and Telephone Number of Persons Authorized to Receive Notices  
and Communications on Behalf of Bidders)

**Copies to:**  
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**AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.**  
**300 CONVENT STREET, SUITE 1500**  
**SAN ANTONIO, TEXAS 78205**  
(210) 270-0800



CLEAR CHANNEL RADIO, INC.

By: /s/Mark P. Mays

Name: Mark P. Mays

Title: Senior Vice President/Operations

## EXHIBIT INDEX

| Exhibit No. | Description  | Seq<br>Page |
|-------------|--|-------------|
| 99(a)(9)    | Text of Press Release dated July 9, 1996   |             |
| 99(a)(10)   | Supplement to Offer to Purchase dated July 11, 1996  |             |
| 99(a)(11)   | Text of Press Release dated July 11, 1996  |             |
| 99(c)(15)   | Amendment No. 3 to Tender Offer Agreement dated July 2, 1996                                       |             |
| 99(c)(16)   | Agreement and Plan of Merger dated July 9, 1996 between Parent and Tichenor Media System, Inc.     |             |
| 99(c)(17)   | Stock Purchase Agreement dated as of July 9, 1996 by and among Parent and McHenry T. Tichenor, Sr. |             |
| 99(c)(18)   | Stock Purchase Agreement dated as of July 9, 1996 by and among Parent and McHenry T. Tichenor, Jr. |             |
| 99(c)(19)   | Stock Purchase Agreement dated as of July 9, 1996 by and among Parent and Warren Tichenor.         |             |
| 99(c)(20)   | Stock Purchase Agreement dated as of July 9, 1996 by and among Parent and William Tichenor.        |             |
| 99(c)(21)   | Stock Purchase Agreement dated as of July 9, 1996 by and among Parent and Jean Russell.            |             |

**CLEAR CHANNEL TO CREATE****LEADING SPANISH RADIO BROADCASTER**

San Antonio, Texas, July 9, 1996 - Lowry Mays, President and Chief Executive Officer of Clear Channel Communications, Inc. (Clear Channel), and McHenry T. Tichenor, Jr., President and Chief Executive Officer of Tichenor Media System, Inc. (TMS), jointly announced today that, subject to Clear

Channel completing its previously announced tender offer to acquire Heftel Broadcasting Corporation (Heftel), Clear Channel will submit to the Board of Directors of Heftel an agreement to merge Heftel and TMS (the Merger). Under the terms of the proposed Merger, TMS stockholders will exchange the capital stock of TMS for approximately 5.68 million shares of Heftel Class A common stock and approximately \$3.2 million in cash.

In addition to the completion of Clear Channel's tender offer, the Merger is subject to certain conditions, including approval of the Merger by the Board of Directors and stockholders of Heftel, approval of the Merger by the stockholders of TMS, and the approval of the Federal Communications Commission and the Federal Trade Commission. There can be no assurance that the conditions will be satisfied or that the Merger will be consummated.

In order to comply with FCC attribution rules and regulations, as part of the terms of the proposed Merger, Clear Channel would convert its Class A common stock in Heftel into newly authorized non-voting Class B common stock. Additionally, it is anticipated that Clear Channel's ownership in excess of 30% of the outstanding shares of common stock of Heftel would be transferred to Heftel. Clear Channel would receive an option to reacquire such shares from Heftel subject to FCC approval.

The combined Heftel/TMS company (New Heftel) would be the only Spanish-language radio company to own and operate Spanish-language radio stations in each of the top-ten Hispanic markets in the United States. New Heftel would own the top rated Spanish-language radio station in eight of the top ten Hispanic markets and would own the top rated radio station in any format in four of the top ten markets (Los Angeles, San Antonio, El Paso, and McAllen/Brownsville/Harlingen) among Adults 25-54 years old. McHenry Tichenor, Jr. would become the Chief Executive Officer of New Heftel which would be headquartered in Dallas, Texas.

Mr. Mays said, "We went forward with the tender offer for Heftel based on a strong belief in Spanish-language radio and the fact that we were uniquely positioned to consolidate the business. We view the merger of Heftel and Tichenor Media System as the most essential step in the process of consolidating the Spanish-language radio industry. We believe that New Heftel's strategic position and the Tichenor management team will create a platform to be a leader in Spanish-language radio. Under Mac Tichenor's management, Tichenor Media System commands the largest audience and revenue share of any Spanish-language radio operator in each of its markets. TMS primarily did it the hard way, by acquiring and converting English-formatted stations to top-rated Spanish-language stations. In so doing, TMS has provided its shareholders a superior return, and we are optimistic that our investment in New Heftel will continue to increase in value under Mac's leadership."

Mr. Tichenor said, "The combination of Heftel and Tichenor Media System will

create the largest Spanish-language radio broadcaster in the United States and the only one with a presence in each of the top ten Hispanic markets. We believe that the combination of these two highly successful, quality-driven companies will allow us to offer exciting and unprecedented opportunities to our audiences, advertisers, employees and shareholders."

New Heftel's radio stations will reach approximately 17.3 million Hispanics, or approximately 63% of the total Hispanic population in the United States. Hispanic households on average are larger younger and growing faster in number than Non-Hispanic households. As a result, Hispanic-related consumer expenditures are expected to outpace the growth in total consumer expenditures in the United States, and Hispanic advertising revenues are expected to grow at a faster rate than radio advertising revenues in the general market.



**REGISTRATION NO. 333-**

**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM S-4**  
**REGISTRATION STATEMENT**  
Under  
The Securities Act of 1933

**HEFTEL BROADCASTING CORPORATION**  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

|  |   |   |
|--|---|---|
| DELAWARE   | 4832  | 99-0113417                              |
| (STATE OR OTHER JURISDICTION<br>OF INCORPORATION OR<br>ORGANIZATION) | (PRIMARY STANDARD INDUSTRIAL<br>CLASSIFICATION CODE NUMBER) | (I.R.S. EMPLOYER<br>IDENTIFICATION NO.) |

**6767 WEST TROPICANA AVENUE, SUITE 102**  
**LAS VEGAS, NEVADA 89103**  
(702) 367-3322

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING  
AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

**L. LOWRY MAYS**  
**HEFTEL BROADCASTING CORPORATION**  
**PRESIDENT AND CHIEF EXECUTIVE OFFICER**  
**200 CONCORD PLAZA, SUITE 600**  
**SAN ANTONIO, TEXAS 78216**  
(210) 822-2828

(NAME, ADDRESS INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING  
AREA CODE, OF AGENT FOR SERVICE)

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2001 ROSS AVENUE  
DALLAS, TEXAS 75201

The Company closed on the purchase of the assets of KLTP-FM (formerly KRTX-FM) in Galveston (Houston), Texas on July 31, 1996. The purchase price was \$900,000. A \$600,000 bank loan was used to finance this acquisition.

The Company closed on the purchase of the assets of KQXX-FM in McAllen, Texas on August 1, 1996. The purchase price of KQXX-FM was \$1,300,000. Also, a five year non-competition agreement from the seller was purchased for \$800,000. A \$1,300,000 bank loan was used to finance this acquisition.

On August 16, 1996, the Company purchased the assets of KSOL-FM and KYLZ-FM in San Francisco and Santa Cruz (San Jose), California. The purchase price was \$40,000,000. The acquisition was financed with a \$40,000,000 loan from Clear Channel Communications, Inc. The interest rate on the loan escalates from 9% to 13% over the loan term. The loan matures on January 1, 1998.

The Company has entered into an Agreement and Plan of Merger whereby it will merge with a wholly owned subsidiary of Heftel Broadcasting Corporation ("Heftel"). In connection with the merger, management of the Company will assume management responsibilities of Heftel. Upon consummation of the merger, the Company's senior preferred stock will be redeemed and the common stock warrant will be repurchased. The senior preferred stock will be redeemed for \$3,378,749 and 23,000 shares of common stock will be issued to repurchase the warrant. The merger is expected to become effective in early 1997.

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### INDEPENDENT AUDITOR'S REPORT

KSOL-FM and KYLZ-FM (Divisions of Crescent Communications, L.P.)  
San Francisco, California

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#### To the Partners:

We have audited the accompanying combined balance sheets of KSOL-FM and KYLZ-FM (Divisions of Crescent Communications, L.P.) as of December 31, 1994 and 1995 and the related combined statements of operations and partners' deficiency, and cash flows for the nine months ended December 31, 1994 and the year ended December 31, 1995. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of KSOL-FM and KYLZ-FM (Divisions of Crescent Communications, L.P.) as of December 31, 1994 and 1995, and the results of their operations and their cash flows for the nine months ended December 31, 1994 and the year ended December 31, 1995 in accordance with generally accepted accounting principles.



JASON JENNINGS & LAURENCE HAUGHTON

How to Use Speed as a Competitive  
Tool in Business

**it's not the  
BIG that eat  
the SMALL  
...it's the FAST  
that eat  
the SLOW**

with a new introduction

NATIONAL BESTSELLER





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WRITER'S DIRECT DIAL NUMBER  
(202) 682-3506

November 20, 1996

VIA HAND DELIVERY

Allee Ramadhan, Esq.  
U.S. Dept of Justice  
Antitrust Division  
Merger Task Force  
1401 H Street, N.W.  
Suite 4000  
Washington, D.C. 20530

Re: Spanish Broadcasting System, Inc.  
Civil Investigation Demand #15720

Dear Mr. Ramadhan:

Pursuant to the Civil Investigation Demand #15720 served by the Department of Justice on Spanish Broadcasting System, Inc., there is transmitted herewith and filed pursuant thereto:

1. Statement of Spanish Broadcasting System, Inc.
2. Index of Documents from SBS Headquarter files
3. Documents from SBS Headquarter files
4. Index of Documents from Kaye, Scholer, Fierman, Hays & Handler, LLP
5. Documents from the files of Kaye, Scholer, Fierman, Hays & Handler, LLP

Should there be any questions concerning the enclosures or any other aspect of the CID, kindly communicate directly with the undersigned.

Very truly yours,

  
Jason L. Shrinsky

Enclosures

## STATEMENT OF SPANISH BROADCASTING SYSTEM, INC.

The Mays family controls Clear Channel, Heftel Broadcasting and following FCC and DOJ approval, Tichenor Media. In many markets, the Mays family control of Clear Channel, Heftel and Tichenor constitutes a violation of multiple ownership rules, FCC market ownership limits and related competitive factors. In some instances, i.e., San Antonio, it is clear that the Mays family through their control of all three companies is over the limit of stations permitted in a single market.

The Mays family control of Clear Channel is indisputable. Its control over Heftel/Tichenor is also absolute.

1. Mays family handles all strategic acquisitions for all three companies.

2. Mays family negotiated on behalf of Heftel the acquisition of the Oasis/Potamkin stations in Miami/Ft. Lauderdale, Florida.

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3. Mays family is negotiating on behalf of Heftel for KSCA in Los Angeles.

4. Mays family is negotiating with Tom Castro to acquire El Dorado Broadcasting.

5. Mays family is negotiating with Arthur Liu to acquire his station in New York City.

6. Mays family is negotiating the national representation agreements on behalf of both Heftel and Tichenor radio stations.

7. Mays family is negotiating with SBS in an effort to acquire all of its stations.

In all meetings, the Mays family is dominant on behalf of Heftel or Tichenor with Mac Tichenor sitting silent as an interested observer for all intents and purposes. It is precisely because of the FCC attribution rules and DOJ concerns with the antitrust issues that the Mays family has concocted the notion of the Tichenor family holding "voting stock" in the new enterprise in order to avoid and skirt around FCC ownership limits and antitrust issues. The Mays family through their overt actions, have contradicted the fiction of the Tichenor voting control over Heftel/Tichenor in order to mislead the FCC and other governmental authorities, including the DOJ.

Additionally, the Mays family has entered into an illegal operational LMA with Tichenor prior to having obtained governmental (DOJ/FCC) approval of the pending merger. For all intents and purposes, the Clear Channel/Heftel/Tichenor radio properties are being operated as one entity even though government approval to do so has not yet been given.

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### **Heftel Acquisition**

Despite SBS repeated attempts to purchase Heftel, SBS and I were ignored by the Heftel Board of Directors because a prior decision had already been made that the company would give Clear Channel and the Mays family the opportunity to meet and/or beat any third party offer. In fact, an investment banker at Blackstone went so far as to tell me that financing the Heftel acquisition was going to be difficult because no financial institution (Blackstone included) was going to finance a third party against the wishes and the best interest of Clear Channel. This constitutes a clear and unambiguous abuse of economic power in order to eliminate any possibility of an alternative third party purchaser of Heftel Broadcasting.

### Chicago

Immediately following the execution of the WYSY(FM), Chicago contract by SBS with Westinghouse/Infinity, officials of Infinity advised that representatives of Clear Channel had telephoned representatives of Infinity/Westinghouse to block a sale to SBS by offering to finance and/or provide studio facilities to a non-Spanish formatted purchaser. Specifically, the Mays family was encouraging the selection of an African-American broadcaster rather than SBS in order to insure the continued dominance and monopoly of the Clear Channel/Heftel/Tichenor position in the Chicago marketplace where the two Tichenor and one Heftel stations are the sole and exclusive radio outlets for Spanish language broadcasting. It goes without saying that because the Clear Channel/Heftel/Tichenor trio has three radio stations in Chicago, it can continue to dominate and attempt to eradicate SBS when it begins operation of WYSY(FM) by having its third station compete directly with the WYSY(FM) format offering lower prices, joint promotions, etc., all geared toward elimination of a new and varied Spanish language voice in the Chicago, Illinois metro area.

### New York

For over two years, SBS has been attempting to structure an LMA/option transaction with Arthur Liu of Multi Cultural Broadcasting. Approximately a year ago, SBS hired a special consultant to assist SBS in finalizing a transaction with Arthur Liu. Just as negotiations were coming to a conclusion, the Mays family interjected itself into the proceedings and offered Arthur Liu various alternatives to join in with Clear Channel/Heftel/Tichenor. Specifically, Clear Channel/Heftel/Tichenor would organize a new subsidiary in which it would contribute a number of its AM stations in various markets permitting Arthur Liu to program those stations. In exchange, Arthur Liu would contribute his New York station to the new sub permitting Clear

Channel/Heftel/Tichenor to operate it with a Spanish language format. In order to avoid any attribution and/or related issues, Arthur Liu would control 51% and Clear Channel/Heftel/Tichenor would control 49% of the new subsidiary. Once more, the Mays strategy is to offer assets presumably "controlled" by Tichenor, but ultimately controlled by Clear Channel, thereby flexing its size, strength and financial ability to foreclose SBS' transaction with Arthur Liu.

#### **Miami**

Miami is an interesting market in that Clear Channel owns and operates two FM stations, Heftel owns and operates two FM stations and two AM stations, and SBS owns and operates only one AM and one FM station.

Over the past 12 months I had a number of conversations with the owners of Radio Stations WRMA(FM) and WXDJ(FM) serving the Miami/Ft. Lauderdale area. In September, 1996, serious negotiations were undertaken following a telephone call from the principals advising that they had been in negotiations with the Clear Channel/Heftel/Tichenor consortium, but would prefer selling to SBS. I immediately dispatched my legal counsel to Miami where he negotiated with counsel for the WXDJ/WRMA stations over a 72-hour consecutive period. Unbeknownst to SBS, once the Clear Channel/Heftel/Tichenor triumvirate learned of the SBS decision to proceed, the Mays family and counsel traveled to Miami in order to thwart the deal by offering \$5 to \$10 million more to the sellers. The sellers advised that since they were in good faith negotiations with SBS they would continue those negotiations until conclusion and would not permit the Clear Channel/Heftel/Tichenor last-minute offer to abort the transaction with SBS.

In recent weeks, Clear Channel/Heftel/Tichenor have desperately tried to destabilize the Miami operations by hiring away all of the station's top management and a majority of the sales team.

### **Los Angeles**

Radio Station KSCA(FM) was recently put up for auction by Golden West Broadcasting. Once SBS was identified as being on the "short list" of prospective purchasers, the Clear Channel/Heftel/Tichenor consortium once again rolled into action and immediately bid up the price on KSCA from \$75 to \$120 million so as to deter SBS and/or any other possible Hispanic broadcaster from acquiring the station. It is fascinating as to why Clear Channel's owners, through Heftel, the owners of the number one radio station in Los Angeles (coincidentally Spanish language) would want to spend \$120 million for a turn-around start-up, ~~unless it is to cannibalize the SBS station in the market just as~~ they plan to do in Chicago. There is a clear pattern to the Clear Channel/Heftel/Tichenor modus operandi -- to thwart SBS from buying competitive stations in its Chicago, New York, Miami, Dallas and Houston marketplaces. Exclusivity and monopoly are the goals of Clear Channel/Heftel/Tichenor, and they have and will continue to do everything possible to keep SBS from either entering into their marketplace or competing effectively with them.

### **Dallas/Houston**

Over the past several months, I have had a number of telephone conversations with Tom Castro, the President and Chief Operating Officer of El Dorado Broadcasting, which owns and operates Spanish-formatted stations in Dallas, Houston and Los Angeles. Specifically, I remember a two hour telephone

conversation with Tom from our respective homes on Saturday, September 14th. During those conversations, we were exploring price, projections, historic cash flow, etc. Once again, out of the blue comes the Clear Channel/ Heftel/Tichenor announcement that they were acquiring El Dorado Broadcasting. However, it appears that this announcement was somewhat premature because once they were declared the successful bidder for KSCA(FM) in Los Angeles, California, they reneged on their deal with El Dorado, seeking now to only acquire the Dallas and Houston properties, since there is no longer a need for the El Dorado LA station to go against SBS because of their acquisition of KSCA(FM). One might ask why they wouldn't buy both stations -- the answer is quite simple in that the El Dorado station because of its low power would only have been purchased to take a run at SBS. By acquiring KSCA(FM), they can now go directly head-to-head against KLAX(FM) (SBS' LA FM station), and keep the present market position for their KLVE and its co-owned AM station.

\* \* \* \* \*

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It is clear that the above constitutes a consistent pattern of anti-competitive behavior on a nationwide scale by one company that is masquerading as three! The use of voting control is nothing more than a scam in order to by-pass governmental review, scrutiny and ultimate ownership and anti-competitive limits. Thus, it is abundantly clear that Clear Channel/Heftel/Tichenor have used their market dominance and economic strength in an anti-competitive manner, in clear violation of antitrust laws. It is also clear that it is the ultimate goal of Clear Channel/Heftel/Tichenor to force SBS into selling its stations to the triumvirate thereby eliminating the only realistic competitor in their markets and thereby gaining for Clear Channel/Heftel/Tichenor absolute and unequivocal control and monopoly of the Spanish radio industry. This is made even more egregious by the fact that their activities are geared toward eliminating a wholly-owned minority entity that has scratched and clawed for 14 years in order to build an economically viable enterprise.

## CERTIFICATE OF COMPLIANCE

I have read the provisions of 18 U.S.C. 1505 and have knowledge of the facts and circumstances relating to the production of the documentary material and have responsibility for answering the Interrogatories propounded in Civil Investigative Demand No. 15720. I do hereby certify that all documentary material and all information required by Civil Investigation Demand No. 15720 which is in the possession, custody, control or knowledge of the person to whom the demand is directed has been submitted to a custodian named therein.

If any documentary material otherwise responsive to this demand has been withheld, or any Interrogatory in the demand has not been fully answered, the objection to such demand and the reason for the objection have been stated in lieu of production or an answer.

SPANISH BROADCASTING SYSTEM, INC. .

By: Raul Alarcon, Jr.  
President

Subscribed and sworn to before me a Notary Public in and for the State of New York on this 19th day of November, 1996.

  
Notary Public

My Commission expires:

BENNY MENDEZ  
Notary Public, State of New York  
No. 01ME4908493  
Qualified in Bronx County  
Commission Expires Sept. 16, 1997



INDEX OF DOCUMENTS FROM SBS HEADQUARTER FILES  
RE: WYSY(FM), AURORA, ILLINOIS

1. Memorandum from Jason L. Shrinsky, Esq. to Joseph Garcia dated August 26, 1996
2. Memorandum from Juan Montengro to Raul Alarcon dated September 18, 1996
3. Letter from Leventhal, Senter & Lerman to Jason L. Shrinsky, Esq. dated August 13, 1996
4. Letter from Jason L. Shrinsky, Esq. to Dan Mason dated August 9, 1996
5. Letter from Jason L. Shrinsky, Esq. to Dan Mason dated August 9, 1996
6. Letter from Leventhal, Senter & Lerman to Jason L. Shrinsky, Esq. dated August 19, 1996
- 7. ~~Letter from Un Abrazo to Mr. Jesus Chavarria dated August 27, 1996~~
8. Letter from Carlos P. Portes to Raul Alarcon, Jr. dated August 20, 1996
9. Letter from Allan G. Moskowitz, Esq. to Raul Alarcon, Jr. dated October 1, 1996
10. Letter from James M. Weitzman, Esq. to Raul Alarcon, Jr. dated September 25, 1996 together with demographic overlay and coverage maps
11. Inside Radio Report dated August 27, 1996 re: WYSY(FM) acquisition

12. August 26, 1996 Infinity Broadcasting press release on WYSY(FM)
  13. August 27, 1996 Chicago Sun Times article on WYSY(FM) sale
  14. Letter from Leventhal, Senter & Lerman to Jason L. Shrinsky, Esq. dated August 19, 1996
  15. Letter from Leventhal, Senter & Lerman to Jason L. Shrinsky, Esq. dated August 19, 1996 (via fax of August 20, 1996)
  16. Memorandum from Jason L. Shrinsky, Esq. to Raul Alarcon, Jr. dated August 15, 1996
  17. Letter from Leventhal, Senter & Lerman to Jason L. Shrinsky, Esq. dated August 12, 1996
  18. WYSY(FM) Projections
- 
19. WOJO(FM) Advertising Kit

INDEX OF DOCUMENTS FROM  
KAYE, SCHOLER, FIERMAN, HAYS & HANDLER, LLP  
RE: WYSY(FM), AURORA, ILLINOIS

1. Memorandum from Charles Giddens to Jason Shrinsky re WYSY(FM) offer procedures dated July 26, 1996
2. Letter from Jason Shrinsky to Dan Mason dated July 29, 1996 making offer for Stations WSCR and WYSY(FM)
3. Letter from Jason Shrinsky to Dan Mason dated July 31, 1996 making revised offer for Stations WSCR and WYSY(FM)
4. Memorandum and accompanying coverage map dated August 8, 1996 from Charles Giddens to Jason Shrinsky
5. Memorandum dated August 8, 1996 from Charles Giddens to Jason Shrinsky with respect to bidding procedures.
6. Letter of August 9, 1996 from Jason Shrinsky to Dan Mason making revised offer for Station WYSY(FM).
7. Letter of August 12, 1996 enclosing a contract draft from Leventhal Senter & Lerman to Jason Shrinsky
8. Letter and contract draft dated August 19, 1996 from Leventhal Senter & Lerman to Jason Shrinsky regarding WYSY(FM)

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September 20, 1996

Spanish Broadcasting System Inc.  
26 West 56th Street  
New York, New York 10019  
Attention: Mr. Raul Alarcon, Jr.

Re: KSCA(FM), Glendale, California

Dear Mr. Alarcon, Jr.:

Golden West Broadcasters (the "Company") is pleased to enclose with this letter a copy of the following documents relating to a proposed sale of radio station KSCA(FM), Glendale, California (the "Station"):

1. Option Agreement;
2. Asset Purchase Agreement;
3. Time Brokerage Agreement; and
4. Confidentiality Letter Agreement.

The general terms of the transaction are as follows:

1. An option to purchase the assets of the Station which would be exercisable for one month following the death of Gene Autry;
2. Payment of \$10 million upon execution of the Option Agreement, and payment of \$3 million each year thereafter in order to renew the option;
3. Upon exercise of the option, a sale of the assets of the Station for a fixed price minus payments made under the Option Agreement; and
4. A Time Brokerage Agreement under which the optionee would have the ability to program the Station upon execution of the Option Agreement in exchange for payment of a fixed amount plus reimbursement of all expenses related to the Station and all amounts payable by the Company in connection with termination of

Spanish Broadcasting System Inc.  
September 20, 1996  
Page 2

employees as a result of the optionee assuming the programming of the Station.

If you are interested in pursuing an acquisition of the assets of the Station in accordance with the terms of the enclosed agreements, please submit any expression of interest in writing to Richard M. Brown, Esq., Jeffer, Mangels, Butler & Marmaro LLP, 2121 Avenue of the Stars, Tenth Floor, Los Angeles, California 90067, by 5:00 p.m., California time, on Friday, October 4, 1996. Your letter should indicate the total purchase price payable for the assets and the fixed amount payable under the Time Brokerage Agreement. Your letter should also discuss the sources of any funding of the purchase price and should indicate any due diligence items which you require prior to execution of any documents. If you are a Spanish language broadcaster, please submit a separate letter indicating your interest in carrying the California Angels' baseball games.

After the above-referenced deadline, the Company will review each of the letters it receives and determine which persons with whom it will continue discussions. The Company may determine to conduct a parallel course of negotiations with more than one interested party.

By acceptance of this letter, you acknowledge and agree to the following: ~~(i) the Company may negotiate with more than one~~ party at any particular time and may enter into an agreement without prior notice to you or to any other person, (ii) the Company may establish procedures relating to the sale of the Station and may change those procedures at any time without notice to you or any other person, (iii) the Company reserves the right, in its sole discretion, to reject any and all proposals made by you or any of your representatives with regard to a transaction involving the Station, and to terminate discussions and negotiations with you or any or all prospective buyers at any time, (iv) the Company reserves the right to refrain from providing information to you even if it has provided such information to other persons, and (v) you agree to keep the terms of this letter and the enclosed documents confidential.

If you have any questions, please contact Mr. Brown at (310) 201-3567. The Company looks forward to hearing from you.

Sincerely,

  
Jackie Autry  
Executive Vice President

Enclosures



Corporate Headquarters  
26 West 56th Street  
New York, New York 10019  
212/541-9200  
Telefax 212/541-6904

Raúl Alarcón Jr.  
President

October 4, 1996

Mrs. Jackie Autry  
4383 Colfax Avenue  
Studio City, California 91604

Dear Mrs. Autry:

First of all let me take this opportunity to thank you for your continuing interest and consideration of Spanish Broadcasting System as a participant in your plans for KSCA-FM.

We are in receipt of various documents from the office of Richard Brown including the Time Brokerage Agreement, the Option Agreement, the Asset Purchase Agreement and the Confidentiality Agreement. We have proceeded to make minor changes to his drafts and have dutifully executed these various documents in their revised forms.

We have also sent Mr. Brown correspondence from our financing agent, CIBC Wood Gundy Securities Corporation, regarding our financial capability and their willingness to move forward with SBS on this transaction. Please note that since 1994 CIBC has placed nearly \$200 Million in various securities for the Company and is currently raising an additional \$150 Million for our recently announced acquisitions in Chicago and Miami.

We trust that you will find our financial prerequisites to be in good order and we invite you to contact either Mr. Andrew Heyer or Mr. Walter McLallen of CIBC to avail yourself of any further financial information you should require.



New York



Los Angeles



Miami



Key Largo

Mrs. Jackie Autry  
October 4, 1996  
Page II

SBS is cognizant of the profound goodwill that has characterized Golden West throughout its successful business history and the faith and trust that your organization has conferred upon its employees. In furtherance of this operating philosophy, we are absolutely willing to accommodate, in a mutually agreeable fashion, any Golden West executives that you may recommend to continue with SBS. In fact, we currently employ an old KMPC veteran, Marsha Purcell, who decided to join us when ABC acquired your station. Marsha has never expressed anything other than praise and admiration for the Golden West organization and is today one of our most successful Account Executives.

Additionally, SBS has been and continues to be interested in airing the Spanish-language play-by-play schedule of the California Angels as part of this proposal. Separately, I also want to make clear my desire to include, as part and parcel of this transaction, a comprehensive promotional campaign for the Gene Autry Western Heritage Museum on all three SBS owned and operated radio stations in Southern California.

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Mrs. Autry, as you may know, we have been diligently attempting to reach a mutually satisfactory transaction with Golden West for the better part of three years. Nearly eighteen months ago my financial representatives flew in from New York to meet with Mr. Stan Schneider and, unfortunately, were unable to conclude their negotiations. Three years ago a very polite but very firm Bill Ward informed me that no transaction was possible at that time. A mutual friend, Irv Gastfreund, has reiterated throughout the years that you were not in a position to sell KSCA.

For these reasons I do not feel it would be incorrect for me to respectfully request one small favor-- that I be allowed to match any bona-fide proposal for KSCA. I sincerely believe that SBS is the best qualified and most interested potential partner in this venture with Golden West. I have no doubt that we can and will deliver more of what's important to you than any other prospective buyer.



Mrs. Jackie Autry  
October 4, 1996  
Page III

In conclusion let me once again thank you for this opportunity. SBS is prepared to move forward on this transaction at your earliest convenience. I will gladly make myself available and would greatly appreciate a personal meeting with you, should you so desire.

Kindest Regards,

RA/hb

cc: Richard M. Brown, Esq.  
Jason Shrinsky, Esq.

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P.S. If you believe in good omens you may find it interesting to know that Mr. Autry and my mother, Alma Alarcon, share the same recently celebrated September 29th birthday. Please convey my most sincere belated birthday wishes to him.

October 4, 1996

Richard M. Brown, Esq.  
Jeffer, Mangels, Butler & Marmarro LLP  
2121 Avenue of the Stars  
10th Floor  
Los Angeles, CA 90067

Re: Station KSCA (FM)  
Glendale, CA

Dear Mr. Brown:

On behalf of Spanish Broadcasting System, Inc. ("SBS"), this will serve as our response to your letter of September 20, 1996 in the above-referenced matter. Please find enclosed:

1. Executed Confidentiality Agreement
2. Mark-up of Option Agreement
3. Mark-up of Asset Purchase Agreement
4. Mark-up of Time Brokerage Agreement

Please be advised that SBS offers to pay the amount of \$75 Million (Seventy Five Million Dollars) for the assets used and useful, for and in the operation of Station KSCA (FM), Glendale, California. In addition, SBS offers to pay a monthly stipend equal to the full net amount of any and all monthly operating expenses (including utilities, leases, etc.) of radio station KSCA (FM) during the term of the Time Brokerage Agreement.

Richard M. Brown, Esq.  
October 4, 1996  
Page II

Please be further advised that SBS is prepared to offer employment to those long standing employees of Golden West Broadcasters as designated by Jackie Autry. Also, SBS is prepared to, and by this letter does, offer office space to key executives of Golden West Broadcasters as designated by Jackie Autry at no cost and/or expense to Golden West Broadcasters.

Additionally, SBS hereby commits to broadcasting a Spanish-language play-by-play schedule of the California Angels on radio station KXMG in Los Angeles and to prepare and air a comprehensive promotional campaign for the Gene Autry Western Heritage Museum on all SBS owned and operated radio facilities in Southern California.

Attached hereto is a letter from CIBC Wood Gundy, investment advisors to SBS, which confirms our financial capability to implement the above-referenced transaction.

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I look forward to the opportunity to meet with Jackie Autry to answer any questions that she and/or you may have with respect to SBS. Due to the fact that we have been involved in conversations with Golden West Broadcasters and its representatives for nearly three years, I would respectfully request an opportunity to match any bona-fide offer from another qualified third party, should that be necessary. We are committed to concluding the above-referenced transaction at the earliest possible moment, and please be assured that nothing has a higher priority at this time.

Very truly yours,

RA/lhb  
Enclosures



CIBC Wood Gundy  
Securities Corp.  
425 Lexington Avenue  
New York, NY 10017  
Tel: (212) 856-4000

October 4, 1996

Richard M. Brown, Esq.  
Jeffer, Mangels, Butler & Marmaró LLP  
2121 Avenue of the Stars, 10th Floor  
Los Angeles, CA 90067

Dear Mr. Brown:

Raul Alarcon Jr. and Jason Shrinsky recently informed me that Spanish Broadcasting System was, once again, attempting to structure a transaction with Golden West Broadcasting to operate and eventually acquire KSCA-FM. Having spent some time visiting and discussing structure with Stan Schneider in early 1995, I was glad to hear that a transaction was now being discussed in earnest.

As you may know, CIBC Wood Gundy Securities Corp. has been responsible for raising over \$180 million of capital for SBS during the last two years, and is currently raising an additional \$150 million for its recently announced acquisitions in Chicago and Miami. Mr. Alarcon has explained the proposed structure of the transaction to us, and we believe that the bank and financial markets will respond very positively to a KSCA-FM transaction. The addition of KSCA-FM will further enhance SBS's preeminent position as the leading Spanish-language radio broadcaster in the country's largest markets.

SBS is fully capable of raising the necessary financing to complete each phase of the proposed transaction, including the eventual purchase of the station upon exercise of the purchase option. CIBC Wood Gundy Securities Corp. views the potential transaction as an exciting opportunity for SBS and will be very involved in raising the necessary financing. If you have any questions regarding SBS and this transaction, please feel free to contact me or my partner, Andrew Heyer, at 212-885-4400.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Walter F. McLallen'.

Walter F. McLallen  
Managing Director



Raul Alarcon Jr.  
President

October 11, 1996

Corporate Headquarters  
26 West 56th Street  
New York, New York 10019  
212/541-9200  
Telefax 212/541-6904

Richard M. Brown, Esq.  
Jeffer, Mangels, Butler & Marmaro LLP  
2121 Avenue of the Stars  
10th Floor  
Los Angeles, CA 90067

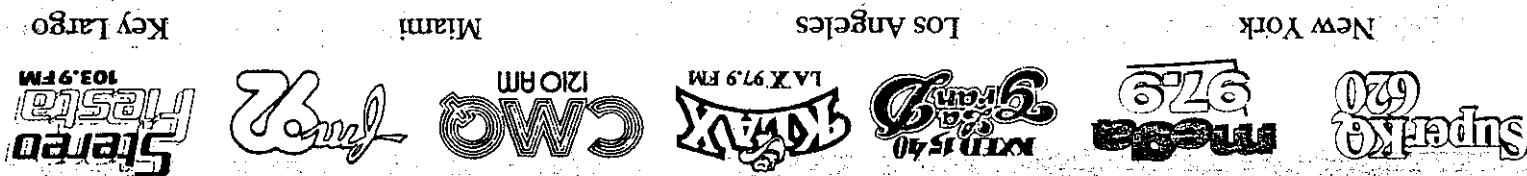
Re: Station KSCA (FM)  
Glendale, CA

Via Telefax: (310) 203-0567

Dear Mr. Brown:

Thank you very much for meeting with our counsel, Jason Shrinisky, yesterday. In order to bring this acquisition to closure, SBS is willing to meet your requested \$110,000,000 purchase price. Specifically, this will serve as SBS' offer to purchase the assets for \$100,000,000 and, in addition, commencing on the first anniversary of the acquisition of KSCA (FM) by SBS, SBS will pay to the Autry Museum \$1,000,000 annually for ten consecutive years.

As Jason Shrinisky communicated to you, we at SBS are most desirous of concluding negotiations and executing the appropriate documents at the earliest possible moment. To this end, I have instructed Mr. Shrinisky to remain in Los Angeles until such time as the documents have been executed.



Mr. Richard M. Brown, Esq.

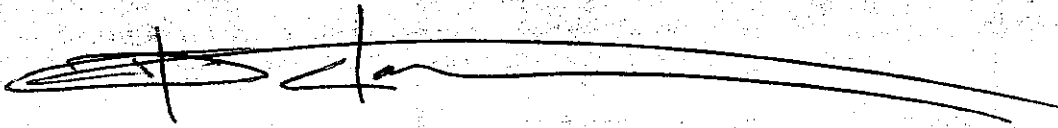
October 11, 1996

Page II

As previously delineated, there is nothing that has a higher priority for SBS than the acquisition of KSCA (FM). Jason Shrinsky will be calling you from his Los Angeles office to answer any and all questions you may have with respect to this offer.

Thank you very much for your continued cooperation and professionalism.

Very truly yours,

A handwritten signature in dark ink, appearing to be "RA/lhb", written over a horizontal line.

RA/lhb

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